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NOJC: Is Retail Divorcement Its Next Target?
Why Chicago Firm Built 64-Hose 'Ultra' Pumper
How an Indie Helps Majors Cut Prices in Dallas

NPN

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Jobbers: Partner or Punching Bag?

No Let Up In Pressures

NATIONAL PETROLEUM NEWS

OCTOBER 1982 VOL. 74 NO. 10

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Jobbers, once "serenaded" by their suppliers, seem to be getting hit from all directions nowadays. Their margins, freight allowances and credit terms are under attack. Now dealers are trying to ban their direct retail operations. Page 62.
Cover illustration by Bud Clarke.

Exxon USA, in a move that catches some marketers by surprise, is planning to withdraw "in an orderly fashion" from parts of the Northeast. It is also trimming back the capacity of its Linden, N.J., refinery by about 100,000 b/d. Page 23.

Most high-volume gasoline marketers believe twelve to sixteen hoses are sufficient for their big pumpers. Not enough, says Tom Campbell, director of retail operations for Bell Fuels Inc., Chicago. The company has built a 64-hose unit—a throwback to the extra-large, multi-pump outlets of the past. Page 70.

• TRENDS

Every year in Oshkosh, Wisc., thousands of flyers, would-be flyers and other aviation enthusiasts gather for the annual Fly-In and Sport Aviation Exhibition staged by the Experimental Aircraft Assn. That in itself is nothing unusual. However, a significant announcement was made at the 1982 Fly-In, one that many marketers should be aware of.

Federal Aviation Administration (FAA) chief J. Lynn Helms revealed at the Fly-In that his agency had, for the first time, approved the use of regular unleaded gasoline in a production aircraft. The plane is the Cessna C-150, which comes in about a dozen different models. It uses a simple, low-compression engine made by Teledyne Corp.

The FAA decision is not heralded as the beginning of an era in which all, or even most, private aircraft will begin operating with the same unleaded gasoline that goes into Fords and Chevys. In his statement at Oshkosh, Helms cautioned that the C-150 is not a high performance aircraft and the FAA ruling should not be taken as an indication to airplane manufacturers that they start lining up for similar approvals. Nor should it be an indication for oil marketers to start lining up aircraft accounts for their gasoline supplies.

The Experimental Aircraft Assn. spent years testing automotive gasoline in various planes, before the C-150 tests made the FAA decision possible, and it may take a similar period of time before other aircraft can be proven to operate safely on ordinary gasoline.

But taking all of this into consideration, the owners of small private airplanes are ecstatic over the FAA's announcement. For them, at least, the feeling is that the FAA has taken the first—and most difficult step—toward widespread use of motor gasoline in aircraft. The rest, they believe, will be much easier now. The trend has been started and the economic interests of aircraft manufacturers, oil refiners, petroleum marketers and private pilots can now converge.

What set the stage for these developments was the decision by several major refiners to cut back or eliminate production of 80-oct. aviation gasoline, the fuel used by most light planes.

As recently as two years ago, the prices of regular gasoline and 80-oct. fuel were roughly comparable. Aviation gasoline was only slightly higher. Today, the FAA says, automotive fuels are available at roughly $1.20 to $1.25 gal., while aviation fuel is "well over $2 per gallon."

It was that extreme price spread—and the corresponding supply problems—that prompted the C-150 tests. With price controls long gone and refinery costs increasing, the problem for private flyers probably will get worse, not better.

For a major refiner, the aviation gasoline market isn't large enough to justify extensive production of special 80-oct. gasoline blends. In all of 1980, production of aviation fuel was a mere 13-million bbl.

But for marketers, a new 13-million-bbl. market is not easy to ignore. Over the long term, the FAA's decision may be one possible solution to the dilemma of shrinking volumes and receding margins.

What makes the aviation market even more attractive to many marketers is, for example, the ease with which a small municipal airport can be brought on as a customer. No fancy marketing strategies or expensive retail facilities are necessary in such an operation.

While the FAA's Helms was quick to point out that there aren't any immediate plans to permit other aircraft to use automotive gasoline, he failed to note that the C-150 is one of the most popular single-engine private planes now in production. Among other things, it is the most widely used for flight instruction nationwide.

In short, there's a market out there now. And given the difference in price between aviation gasoline and automotive fuel, there is likely to be significant growth over the next few years. Says one FAA official: "If I were operating a flight school right now, a plane that operates on lower cost fuel would be mighty attractive."

Much of what happens in the next few years in this market will depend on the record of the C-150s using automotive gasoline. FAA officials say the Experimental Aircraft Assn. tests—and future FAA monitoring—have and will keep close tabs on such things as engine wear, valve sticking and particularly incidents of vapor lock.

A relatively clean record would go a long way toward convincing the FAA that what's good for the C-150 might be good for other aircraft types. And to be sure, the FAA still has some reservations. For example, the recent decision does not allow the use of automotive fuel in C-150s that are used for air-taxi services or other charter-type arrangements.

If those restrictions eventually are lifted, a significant milestone will have been passed, aircraft industry sources say.

"That's when you'll really see this become a bright spot for gasoline marketers." **—Tom Goldsmith**

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

JULY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.318	$1.263	$1.331	$1.450
Regions:				
Northeast	1.308	1.250	1.310	NA
North Central	1.327	1.283	1.349	1.374
South	1.295	1.236	1.308	NA
West	1.348	1.280	1.360	1.459

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	8/27/82	8/28/81
Gasoline (total)	225,097	232,078
Gasoline (unleaded*)	91,933	90,790
Kerosine **	44,722	51,757
Distillates	158,428	204,254
Residual	50,689	74,330

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

Fuel Oil Briefs

Keil Oil Offers Discount Prepay Plan

For the second year in a row, an aggressive fuel oil dealer in northern New Jersey attracted a host of new accounts by guaranteeing a maximum price of $1.15 gal. to all those who prepaid their winter season's bill by Aug. 1.

Keil Oil Co., Riverdale, says its modest newspaper advertising campaign churned up "about 170 people interested in the program." That's about twice as many as responded last winter.

Roughly, this means Keil Oil could expect a cash bonanza of about $170,000 to start off the year. This, at a time when many companies are having ruinous cash-flow problems and praying for an early onset of cold weather to get things moving.

Keil Oil has 2,000 accounts in four counties in northern New Jersey. Its volume is about 2-million gal. a year.

The program works this way:

If homeowners prepaid their bills by Aug. 1, they were offered a guaranteed maximum price of $1.15 gal. If the price is lower throughout the year, they get the benefit of the cheaper cost.

Keil uses an average of 800 gal. per home—"some are more, some are less, but it comes out to about that," a spokesman says. This means the average homeowner prepays about $1,000.

Naturally, each home prepays in relation to last year's consumption. For those whose bills are on the high side—say $1,200 or $1,500, Keil offers them the chance to prepay $1,000 to get the guaranteed maximum for as long as the payment lasts, before paying normal delivery prices for the balance of the year.

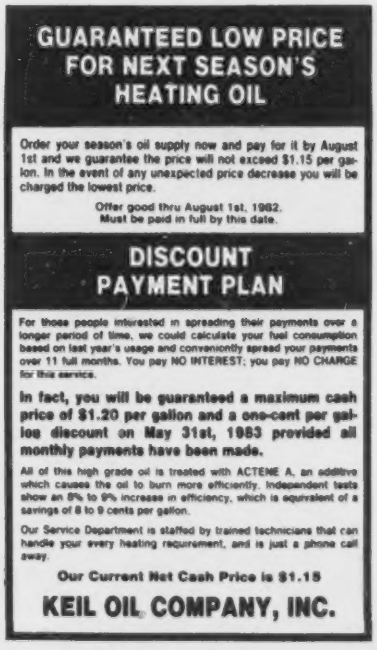
For those preferring a budget plan, Keil Oil will work that out, too. Payments may be spread over 11 months for a guaranteed maximum price of $1.20 gal., with a 1¢-gal. discount on May 31 if all monthly payments have been made on schedule.

The price guarantee program, of course, is not without its share of risks. For one thing, the company says it is not involved in "hedging" its winter fuel oil prices in the New York oil futures market, and so therefore is relying on brute market behavior to see its program through.

Severe weather or a bad break in the Mideast could upset the fuel oil business and stretch its ability to service all of its customers. There could be spot shortages. If things like that come to pass, fuel oil prices will rise to the occasion. They've done so in the past.

That could put a strain on Keil's guaranteed $1.15 gal.

"It's nice to have a bundle of cash now," says the spokesman. "But then we will have to worry about January and February, too."


GUARANTEED LOW PRICE FOR NEXT SEASON'S HEATING OIL
Order your season's oil supply now and pay for it by August 1st and we guarantee the price will not exceed $1.15 per gallon. In the event of any unexpected price decrease you will be charged the lowest price.
Offer good thru August 1st, 1982. Must be paid in full by this date.
DISCOUNT PAYMENT PLAN
For those people interested in spreading their payments over a longer period of time, we could calculate your fuel consumption based on last year's usage and conveniently spread your payments over 11 full months. You pay NO INTEREST; you pay NO CHARGE for this service.
In fact, you will be guaranteed a maximum cash price of $1.20 per gallon and a one-cent per gallon discount on May 31st, 1983 provided all monthly payments have been made.
All of this high grade oil is treated with ACTENE A, an additive which causes the oil to burn more efficiently. Independent tests show an 8% to 9% increase in efficiency, which is equivalent of a savings of 8 to 9 cents per gallon.
Our Service Department is staffed by trained technicians that can handle your every heating requirement, and is just a phone call away.
Our Current Net Cash Price is $1.15
KEIL OIL COMPANY, INC.

Keil Oil's Advertisement

Low Profiles Are Hurting Fuel Oil Dealers

Joe Somma, associate director of Fuel Merchants Assn. of New Jersey, implies that many fuel oil dealers may be their own worst enemies by failing to provide their customers with good images and strong identifications.

While assisting the Mercer County Fuel Assn.'s raffle of 250 gal. of home heating oil during a heritage day festival in Trenton, N.J., recently, Somma says he was made aware of the fact that many customers didn't even know the names of their suppliers. "Between 40% and 50% of the home-owners who entered the drawing during the day I was there could not name their fuel oil dealer," he said.

W.F. Ward, president of Ward's Fuel Service, Trenton, confirms Somma's observations. He spent two days at a Mercer fair booth and found that 40% of the homeowners couldn't name their supplier. Another surprise: "They [consumers] are familiar with the color on the trucks and think their dealer is Exxon or Gulf, when it isn't."

He suggested that more dealer promotion is needed to strengthen the company image.

N.Y. Marketers Continue to Lose to Gas Conversions

Though fuel oil jobbers happily report that the trend in oil to natural gas conversions is down, gas utilities continue to take a heavy toll on the market.

One oil marketing group recently released figures which lend some perspective to the ongoing costs to jobbers of oil-to-gas conversions—representing revenues and customers the fuel oil business may never recapture.

The Empire State Petroleum Assn. (ESPA), in a report compiled by the New York Public Service Commission based on data collected from utilities, says that gas utilities converted 30,866 heating oil customers in New York in 1980-1981, and a projected 27,831 more in 1981-1982.

The volume of heating oil displaced reportedly amounts to 54-million gal. for 1980-1981, and 39.9-million gal. for 1981-1982. At current retail prices these figures reflect a $122-million loss in business for fuel oil marketers.

The two most successful utilities in the oil-to-gas conversion business are Brooklyn Union and Long Island Light Co., both located in the greater New York metropolitan area.

Brooklyn Union snared more than 13,000 customers from oil-heat businesses while Lilco, the more aggressive of the two, scooped up more than 18,000 customers during the two-year period. Consolidated Edison, the world's largest utility, converted more than 8,000 consumers of fuel oil to gas burners.

ESPA reports that since 1978, the gas utilities have coaxed more than 138,000 oil-heat accounts into their fold.

Viewed from another angle, this means the utilities converted an average 198 establishments per working day in 1978-79; 138 per day in 1980-81, and 120 per day in 1981-82. The accompanying table contains the New York state breakdown, as reported by ESPA. *NEW*

New York State Oil to Gas Conversions

	Actual			Projected
	1978-79	1979-80	1980-81	1981-82
Residential	19,860	45,484	30,866	27,831
Commercial	2,433	4,287	3,820	2,211
Industrial	297	337	338	287
Total	**22,590**	**50,108**	**35,024**	**30,429**